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TAGS: [PARM](#) [PGOV](#) [PREL](#) [ECON](#) [EFIN](#) [CH](#) [KN](#)
SUBJECT: CHINESE ACADEMICS DISCUSS DPRK LAUNCH, MILITARY
ISSUES AND NATIONALISM

REF: BEIJING 702

Classified By: Acting Minister-Counselor for Political Affairs Ben Moeling. Reasons 1.4 (b) and (d).

SUMMARY

11. (C) Senior Chinese foreign policy scholars March 31 predicted to visiting EAP DAS John Norris that the PRC would be unable to support a UN Security Council resolution condemning North Korea's "satellite" launch. Based on the "surprising" timing of the USNS Impeccable incident in the South China Sea and the China Military Power Report's release, many Chinese academics believe some parts of the U.S. government intend to slow the development of U.S.-China relations. While critical of China's Central Bank Governor Zhou Xiaochuan's proposals for the IMF to issue bonds and for Special Drawing Rights (SDRs) to replace dollars as the international reserve currency, the scholars echoed official calls for China to have a greater say in IMF decision-making in exchange for increasing the country's IMF contributions. Secretary Clinton's Asia trip and Foreign Minister Yang Jiechi's U.S. trip were both widely perceived to have been successful in developing U.S.-China relations. Chinese leaders are "rational" and will prevent rising nationalism from becoming too extreme, the scholars said, though anti-foreign sentiment exists. That sentiment, and concerns over domestic food security, contributed to the denial of Coca-Cola's purchase of Huiyuan Juice Group. End Summary.

CRITICISM OF POSSIBLE UN RESOLUTION CONDEMNING DPRK LAUNCH

12. (C) In a March 31 roundtable discussion with visiting EAP Deputy Assistant Secretary John Norris in Beijing, China Institute of Contemporary International Relations (CICIR) Vice President Wang Zaibang maintained China would be unable to support a UN Security Council resolution condemning the North Korean missile launch, as long as "we can verify it's a satellite" because no international law forbids a satellite launch. (Note: This discussion took place five days before the April 5 DPRK launch.) DAS Norris presented the U.S. position, noting a launch would be in violation of UNSC Resolution 1718. Yuan Peng, Director of CICIR's Institute of American Studies, said that China and the United States have "different interpretations" of Resolution 1718, adding that DPRK has repeatedly emphasized that a satellite, and not a missile, will be launched.

"SURPRISING" TIMING: USNS IMPECCABLE, MILITARY POWER REPORT

13. (C) Yuan asserted that Chinese scholars interpreted the "surprising" timing of the March 8 USNS Impeccable incident in the South China Sea, which occurred between the Secretary's Asia visit and Foreign Minister Yang's U.S. trip, and the March 25 China Military Power Report, which was released before the G-20 summit, as "aggressive actions."

Combined with Congress celebrating the Taiwan Relations Act's 30 year anniversary, Yuan said, those scholars had concluded some parts of the U.S. government "wanted to remind President Obama and Secretary Clinton to go slowly on U.S.-China relations". When DAS Norris pointed out that the DOD response was necessitated by the Chinese ships' dangerous actions, Yuan replied that such maritime encounters were common, but the Pentagon's public response was unexpected. In response to DAS Norris' statement that Congress mandated the issuance and timing of the China Military Power Report, Yuan asserted Congress was set "in Cold War thinking," and claimed DOD could have delayed the report's release to facilitate bilateral relations. CICIR Professor Da Wei took this one step further and suggested that the Pentagon issue only an unpublicized, classified report. Though Yuan said he found nothing surprising in the report's conclusions, he alleged that the United States was concerned about new competition from countries other than Russia and Europe in the areas of space development, blue water naval capabilities and cyber security.

ASSERTING CHINA'S PLACE AT THE IMF

14. (C) The academics largely echoed official views on economic policy and IMF reform, calling for China to have a greater say in IMF decision-making in exchange for increasing the country's IMF contributions. Wang said many in China would welcome moves by the United States and Europe to "give up some of their voice" in the IMF to developing countries, claiming U.S. influence over the IMF would be unaffected and that "if President Obama can give a positive response on this

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issue, U.S. soft power will increase." (Note: Many of Wang's points were previously articulated by PRC Vice Premier Wang Qishan in a March 27 Times of London newspaper essay that Wang Zaibang said "signaled Hu's intentions for the G-20.") The scholars also asserted the need for the U.S. and China to resist protectionism and "competitive devaluation."

IMF BONDS, "REFORMING" THE DOLLAR-BASED RESERVE SYSTEM

15. (C) Wang Zaibang was critical of People's Bank of China Governor Zhou Xiaochuan's proposal that the IMF issue bonds, saying such bonds could not be guaranteed. Wang also disagreed with Zhou's call for SDRs to replace the dollar as the international reserve currency. A transition would be too complicated and therefore was not feasible, he said, and so Zhou's plan was "not necessary." Wang added that Zhou's remarks, in addition to Premier Wen Jiabao's March 13 comments that China was "concerned" about its U.S. Treasury holdings, were "not challenges" to the United States, but expressions of concern over maintaining the value of China's assets.

POSITIVE REACTIONS TO SECRETARY CLINTON'S CHINA TRIP

16. (C) The scholars praised Secretary Clinton's February trip to China as a success, noting that many people appreciated that China was one of the first countries she visited. PRC officials, said Yuan, were pleased with what they viewed as her focus on "priority" issues like financial cooperation, energy cooperation and climate change. PRC officials and think tankers similarly considered Foreign Minister Yang Jiechi's trip to the United States to be a positive development in the bilateral relationship.

INCREASING NATIONALISM, BUT PRC LEADERS "RATIONAL"

17. (C) In response to DAS Norris' question on the influence of popular nationalist books such as "Unhappy China" ("Zhongguo Bu Gaoxing"), the scholars said the books do not

reflect the serious thinking of government officials and "mainstream" scholars. Though Chinese leaders paid increasing attention to popular opinion, Wang said, they were still grounded in "rationality" and would take action "to right the direction" if popular opinion was judged to be swinging towards the extreme. Wang cited the government's efforts in 2004 to tamp down anti-Japanese sentiment by mobilizing scholars, officials and the then-Foreign Minister to give speeches to dissipate anti-Japanese hostility, while Yuan added that "Unhappy China" and a recent Global Times article promoting Chinese "hawkishness" were both widely criticized. Wang acknowledged the existence of some extreme opinions within academic circles, but said most scholars viewed China's participation on the world stage "rationally and positively."

COCA-COLA DEAL DERAILED BY NATIONALISM?

18. (C) Wang said the decision by China's mergers and acquisitions regulator to reject Coca-Cola's bid to purchase Huiyuan Juice Group was motivated by domestic popular opinion, which was greatly opposed to the transaction. Yuan claimed the majority of Chinese strategic industries were already controlled by foreign companies, and that concerns over the perceived foreign encroachment on Chinese businesses prompted the 2008 passage of an anti-monopoly law to defend China's industries and the development of a fledgling "capitalist culture." Yuan acknowledged that juice manufacturing was not a strategic industry, but said that Huiyuan was the most famous juice company in China and therefore its proposed sale became a matter of national pride. Wang claimed China's agriculture sector and the food processing industry were increasingly dominated by foreign companies, and that concerns over domestic food security also contributed to the rejection of the Coca-Cola deal. (Note: See reftel for further read-out on the demise of the Coke-Huiyuan deal.)

19. (U) DAS Norris has cleared this cable.
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